

## **Background**

With a rich history spanning from Colonial times to the Revolutionary and Civil Wars, the counties of Stafford and Spotsylvania and the independent city of Fredericksburg draw visitors from around America and the world. Founded in 1728, Fredericksburg was home to famous historical figures such as George Washington and James Monroe. Historical battlefields mark the spots where Grant and Lee fought during the Civil War. These historical battle sites, along with various architectural and scenic attractions make the area a wonderful tourist destination.

Fredericksburg and the two counties are located in northern Virginia along I-95, approximately half way between Richmond and Washington, DC. The Rappahannock River divides the area, while Lake Anna and the Potomac River form the southern and northern borders. Sitting right on the Rappahannock River, the city of Fredericksburg is surrounded by the two counties.

## **Early Tourism Program Efforts**

### *Fredericksburg*

In 1950, the Fredericksburg Chamber of Commerce established a tourism program to promote the national battlefields and other historic sites, which were a symbol of pride to the city and surrounding counties. Shortly thereafter, the City of Fredericksburg took over the administration of the tourism program. Throughout the following decades, the city invested money in the program focusing mainly on promotion of the downtown area.

In 1975, after years of promoting the city of Fredericksburg, several representatives of area hotels, restaurants and attractions formed an independent organization to promote travel and visitation for the greater Fredericksburg area. The tourism organization collected dues from its members and raised money for direct advertisement of the area. After two years of successful growth, the organization approached the City of Fredericksburg and the counties of Spotsylvania and Stafford with a recommendation to form a regional tourism entity. This entity would be funded by local and regional occupancy and food/beverage taxes in order to promote the greater Fredericksburg area. The regional entity was not established at this time.

The City of Fredericksburg has continued to manage their tourism marketing program which served as the core of the current F.A.T. cooperative marketing effort. The separate Department of Tourism and Department of Economic Development were merged into the Office of Economic Development and Tourism in 1995. The mission of this office is to expand the tourism base, maximize opportunities at main travel interchanges, intensify redevelopment, manage business retention and expansion and recruit new business and industry. The tourism department handles all travel promotions and the director of this office reports to the City Manager of Fredericksburg. Managing the Office of Economic Development and Tourism are:

Kathy Beard, Director, Office of Economic Development & Tourism

Karen Hedelt, Manager, Tourism Department

Lura Hill, Tourism Sales Manager

Gail Boswell, Visitor Center Manager, (8 Part-time Visitor Information Specialists)

*Spotsylvania*

While the Fredericksburg Tourism Office promotions did bring visitors to the Spotsylvania County hotels and attractions, there was a need for direct promotion of the area outside the city. In 1990, a tourism program was established to specifically promote Spotsylvania County and a visitor center was built to support that effort. A 2-color promotional piece and Visitor Guide were developed at that time. In 1992 the first 4-color tourism guide to Spotsylvania County was produced.

While the main goal of the Spotsylvania County Department of Tourism is to promote the county attractions, hotels and restaurants, the department is also charged with promoting the greater Fredericksburg area. The Spotsylvania County Department of Tourism was instrumental in creating the regional promotional program that exists today. The Tourism Department reports to County Board of Supervisors. The Spotsylvania County Department of Tourism is staffed by:

Bonnie Smith, Director  
Sylvia Atkinson, Visitor Center Supervisor  
7 part-time Visitor Information Specialists

*Stafford*

Prior to 1993 Stafford County made minimal efforts at tourism promotion. In 1993 Stafford joined Spotsylvania and Fredericksburg in the first regional visitor guide. By 1995 Stafford was investing larger amounts of money in tourism promotion. The Stafford tourism promotion investment grew to \$80,000 for regional promotion and \$50,000 allocated to group promotion in 2000. A dedicated 3% lodging tax was implemented in July 2000 for the funding of tourism promotion.

The Stafford County Department of Economic Development handles all tourism promotion for the county and reports directly to the County Board of Supervisors.

Bob Carter, Assistant Director  
Jeff Rouse, Tourism Manager / Economic Developer

**Transition to Fredericksburg Area Tourism**

In 1992, Stafford and Fredericksburg partnered in a joint visitor guide. The following year the three jurisdictions were successful in earning three grants to fund a regional promotion including a new visitor guide, full page ad in the Virginia Travel Guide and an advertising campaign. This program continued and a special account to administer co-op program dollars was set up in 1996. The account is managed by Spotsylvania. Since 1996 a regional promotion budget is adopted each year. The name "Fredericksburg Area Tourism" was adopted by the co-op group in 1999. Currently, the day to day operations of FAT are handled by representatives from each of the three jurisdictions. In addition to coordinating regional promotion efforts, these representatives are responsible for communicating the progress of FAT's program to their respective boards and jurisdictions.

**1996-2000 Fredericksburg Area Tourism**

Kathy Beard	Director, Fredericksburg Office of Econ. Dev. & Tourism
Karen Hedelt	Manager, Fredericksburg Tourism Development
Bonnie Smith	Director, Spotsylvania County Department of Tourism
Bob Carter	Assistant Director, Stafford Economic Development

**Offices and Visitor Centers**

*Fredericksburg*

The Office of Economic Development and Tourism is located within the city's visitor center at 706 Caroline Street in downtown Fredericksburg. The Fredericksburg Battlefield has a visitor center, which is run by the National Park Service.

*Spotsylvania*

The Spotsylvania County Department of Tourism office is located within the county visitor center at 4704 Southpoint Parkway. Chancellorsville Battlefield also has its own visitor center that is operated by the National Park Service.

*Stafford*

While Stafford does not have an official visitor center, the Stroh Visitor Center at Belmont provides information about historical sites and amenities in the area.

*Virginia*

The State of Virginia Welcome Center is located in Fredericksburg, along I-95 southbound between exits 133 and 130. Additional state Welcome Centers are located at all major interstate highways entering the state of Virginia.

**Funding**

The majority of tourism promotion funding comes from the General Funds in the city and two counties. The statistical analysis in this report focuses on the Lodging Tax, which is collected in each jurisdiction and is used directly for tourism promotion or is put into the General Fund where tourism promotion funding is later extracted. Since an undetermined portion of the meals tax comes from local dining patrons, those figures are not included here. One can spend hours debating the percentage of dining taxes that come from travelers and the percentage generated by local patrons. The Lodging Tax comes from those spending the night in local lodging and is therefore the best pure indicator of travel related economic impact in the area. It is logical to compare Lodging Tax Revenues collected to tourism promotion expenditures.

*Fredericksburg*

The City of Fredericksburg collects a 4% Lodging Tax and the revenues generated by the tax are deposited in the City General Fund. All tourism promotion funding for the Office of Economic Development and Tourism comes from the General Fund.

## Current Status Report

### *Spotsylvania*

Until 1997, the county collected a 2% occupancy tax all of which went into the general fund. In 1997, the occupancy tax rate was increased to 5% with 3% allocated to the Spotsylvania Tourism Office for promotion. The entire 3% is used for co-op promotion and all overhead of the tourism promotion effort.

### *Stafford County*

Prior to 2000, the county collected a 2% lodging tax, which was not dedicated to tourism promotion. As of 2000, the county collects a 5% lodging tax, with 3% dedicated for funding tourism promotion by the Department of Economic Development.

### Lodging Tax Five-Year Collection History

Year Tax Rate	Fredericksburg 4%	Spotsylvania 2%- 5%	Stafford 2%	Total	Change (+/-)%
1996	\$408,059	\$194,965	\$188,488	\$791,512	
1997	\$404,975	\$458,702	\$214,193	\$1,077,870	27%
1998	\$403,984	\$618,946	\$240,227	\$1,263,157	15%
1999	\$424,252	\$670,971	\$246,907	\$1,342,130	6%
2000	\$386,861	\$704,446	\$268,560	\$1,359,867	1%

Source: Financial Offices of the City of Fredericksburg, Spotsylvania County and Stafford County

Note: The City of Fredericksburg runs on a calendar year, while both counties are on fiscal year budgets, thus this chart only reflects tax collected in the city through October 2000.

The average growth rate for the period in the table above is 12%. These figures show that growth in lodging revenues over the previous 5-year period has slowed for the Fredericksburg area overall. Spotsylvania County shows a large jump in lodging tax collected for FY 1996. This was due to an increased occupancy tax rate and the addition of two new hotels, which raised the county's total number of rooms by 128. The tax revenues for 2001 will show another jump due to the increased occupancy tax rate in Stafford County, effective July 2000.

### **Revenues Compared to State and National Industry Growth**

The average annual growth rate for total tourism revenues nationwide is 4.9%. The Virginia Tourism Corporation reports an average growth rate of 4.8% statewide in 1998. The Virginia Tourism Corporation also reported that 1998 tourism expenditures in Fredericksburg increased 5.4%, while Spotsylvania dropped by -38.9% and Stafford dropped by -10.5%(based on the state's economic impact model).

Since 1995, the Virginia Tourism Corporation has reported an average annual growth rate of 5.3% statewide. The average tourism expenditure growth since 1995 for Fredericksburg is 9.2%, 19.3% in Spotsylvania and 7.2% for Stafford. Randall Travel Marketing could not find an explanation for the dramatic drop in Spotsylvania tourism revenues in 1998 as reported by the Virginia Tourism Corporation.

**Growth in Lodging**

<b>Year</b>	<b>Total Number of Rooms</b>		
	Fredericksburg	Spotsylvania	Stafford
1995	985		907
1996	982		1005
1997	985		1088
1998	953	1,387	1,203
1999	995		1,203
2000	970	1,234	1,350

Sources: Virginia Tourism Corporation, 1998; RTM Lodging survey, 2000

**Fredericksburg / Spotsylvania / Stafford Lodging Market Mix**

In October 2000 Randall Travel Marketing conducted a fax survey of lodging properties in the city of Fredericksburg and the counties of Spotsylvania and Stafford. The goal of the survey was to determine the mix of the different market segments that fill rooms at area lodging properties. It is interesting to note the different market mix at each exit as reported by the lodging properties. The results of the survey, broken out by exit number, are provided in the table below.

**Market Mix by Exit**

<b>MARKET</b>	<b>EXITS</b>				
	<b>118</b>	<b>126</b>	<b>130</b>	<b>133</b>	<b>143</b>
Corporate		<b>29%</b>		<b>15%</b>	<b>14%</b>
Pass through on I-95		<b>27%</b>		<b>43%</b>	9%
Leisure		11%		<b>21%</b>	8%
Group Tour		9%		4%	3%
Government		2%		2%	<b>29%</b>
Military		1%		4%	<b>24%</b>
Visiting friends or relatives		<b>13%</b>		4%	9%
Other		8%		7%	4%

Note: A minimum number of properties at Exits 118 & 130 responded to the survey and results were therefore non-conclusive and are not reported here.

Key target markets identified by the lodging properties are:

- New York
- Pennsylvania
- Virginia
- North Carolina
- Maryland
- Florida
- New Jersey

Note: These markets are confirmed and compare favorably to the point of origin markets identified in question 23 of the mail survey found in section 5 of this report.

**Tourism Budget Analysis**

The best way to gauge the success of your regional advertising promotions is to monitor the return on investment of advertising dollars spent. You are already charting the cost per lead for your print advertising placement. We recommend analyzing your overall spending versus cost per lead on an annual basis. While F.A.T. is in its initial years, the cost per lead will be high. It will decrease over time as the reach and frequency of your advertising message build awareness for the regional area.

The following charts compare the tourism promotion budgets in each jurisdiction to the amount of Lodging Tax collected in each jurisdiction. This analysis provides a comparison that is directly tied to overnight visitation to the area.

**Fredericksburg Tourism Budget****Percentage Breakout of Total Budget**

<b>Budget Category</b>	<b>2000</b>	<b>%</b>	<b>1999</b>	<b>%</b>	<b>1998</b>	<b>%</b>
Salaries & Benefits	\$356,604	40%	\$335,879	41%	\$292,419	40%
Office Expenses	\$128,790	15%	\$111,851	14%	\$94,307	13%
Outreach	\$402,200	45%	\$370,140	45%	\$351,449	47%
<b>TOTAL BUDGET</b>	<b>\$887,594</b>		<b>\$817,870</b>		<b>\$738,175</b>	

**Percentage Breakout of Total Lodging Tax**

<b>Budget Category</b>	<b>2000</b>	<b>%</b>	<b>1999</b>	<b>%</b>	<b>1998</b>	<b>%</b>
Salaries & Benefits	\$356,604	92%	\$335,879	8%	\$292,419	72%
Office Expenses	\$128,790	33%	\$111,851	26%	\$94,307	23%
Outreach	\$402,200	104%	\$370,140	87%	\$351,449	87%
<b>TOTAL BUDGET</b>	<b>\$887,594</b>	<b>229%</b>	<b>\$817,870</b>	<b>193%</b>	<b>\$738,175</b>	<b>183%</b>
<b>LODGING TAX</b>	<b>\$386,861</b>		<b>\$424,252</b>		<b>\$403,984</b>	

A review of the three budget categories above compared to the total Lodging Tax collected each year reveals that the actual tourism promotion expenditures far exceed the total Lodging Taxes collected. If all of the local lodging tax were directly allocated to tourism promotion it would account for 43% of the current tourism promotion budget. The City of Fredericksburg is to be commended for allocating these tax revenues for tourism promotion and should continue to do so in the future.

**Spotsylvania Tourism Budget****Percentage Breakout of Total Budget**

<b>Budget Category</b>	<b>2000</b>	<b>%</b>	<b>1999</b>	<b>%</b>	<b>1998</b>	<b>%</b>
Salaries & Benefits	\$142,344	29%	\$135,248	43%	\$123,705	49%
Office Expenses	\$94,473	19%	\$57,973	19%	\$27,229	11%
Outreach	\$255,088	52%	\$119,044	38%	\$103,558	40%
<b>TOTAL BUDGET</b>	<b>\$491,905</b>		<b>\$312,265</b>		<b>\$254,492</b>	

NOTE: The 1999 and 2000 budgets listed above include additional revenues from grants and misc. tourism items. The 2000 Budget also includes \$75,850 from prior year excess.

**Percentage Breakout of Total Lodging Tax**

<b>Budget Category</b>	<b>2000</b>	<b>%</b>	<b>1999</b>	<b>%</b>	<b>1998</b>	<b>%</b>
Salaries & Benefits	\$142,344	20%	\$135,248	20%	\$123,705	20%
Office Expenses	\$94,473	13%	\$57,973	8%	\$27,229	4%
Outreach	\$255,088	36%	\$119,044	17%	\$103,558	17%
<b>TOTAL BUDGET</b>	<b>\$491,905</b>	<b>70%</b>	<b>\$312,265</b>	<b>47%</b>	<b>\$254,492</b>	<b>41%</b>
<b>LODGINGTAX</b>	<b>\$704,446</b>		<b>\$670,971</b>		<b>\$618,946</b>	

A review of the three budget categories for Spotsylvania compared to the total Lodging Tax collected each year reveals that the county tourism budget is mostly in-line with IACVB standards. The current level of staffing is low as a percentage of total lodging tax. IACVB recommends that staffing be 25% - 40% of total Lodging Tax collections and Spotsylvania is currently operating at 20%. As of 2000, the dollars spent on outreach (36% of total lodging tax) are more in-line with the IACVB recommendation of 30%-40% of the tax collected.

Spotsylvania has made improvement in recent years in the percentage of total lodging tax allocated to tourism promotion and should continue this process until 100% of the lodging tax is allocated to tourism promotion.

**Stafford Budget****Percentage Breakout of Total Budget**

<b>Budget Category</b>	<b>2000</b>	<b>%</b>	<b>1999</b>	<b>%</b>	<b>1998</b>	<b>%</b>
Salaries & Benefits	\$0		\$0		\$0	
Office Expenses	\$0		\$0		\$0	
Outreach	\$84,000	100%	\$78,000	100%	\$75,000	100%
TOTAL BUDGET	\$84,000		\$78,000		\$75,000	

**Percentage Breakout of Total Lodging Tax**

<b>Budget Category</b>	<b>2000</b>	<b>%</b>	<b>1999</b>	<b>%</b>	<b>1998</b>	<b>%</b>
Salaries & Benefits	\$0		\$0		\$0	
Office Expenses	\$0		\$0		\$0	
Outreach	\$84,000		\$78,000		\$75,000	31%
TOTAL BUDGET	\$84,000	31%	\$78,000	32%	\$75,000	31%
LODGING TAX	\$268,660		\$246,907		\$240,227	

Stafford has been collecting a lodging tax on local accommodations since the 1980s. Since 1995 Stafford has been allocating some of this money to tourism promotion as is reflected in the chart above. A review of the three budget categories for Stafford County compared to the total Lodging Tax collected each year reveals that 100% of the dollars allocated to tourism promotion are put into outreach. As a percentage of total lodging tax collected this amount is appropriate but should be increased. The growth in occupancy tax revenues in recent years has been driven by new lodging development and minimal growth in overall market share.

The current level of staffing is paid out of the County General Fund and is not allocated as a percentage of the lodging tax. Future budgets should reflect an appropriate percentage of staff hours allocated to tourism promotion staffing. IACVB recommends that staffing be 25% - 40% of total Lodging Tax collections. As of 2000, the dollars spent on outreach (31% of total lodging tax) are at the low end of the range IACVB recommends (30%-40% of the tax collected).

**Fredericksburg Area Combined Budgets**

The figures below represent the combined tourism promotion budgets of Stafford and Spotsylvania counties and the City of Fredericksburg. These combined figures represent the total tourism promotion expenditures for the Fredericksburg Area Tourism promotion region.

**Combined Area Budgets/Percentage Breakout of Total Lodging Tax**

<b>Budget Category</b>	<b>2000</b>	<b>%</b>	<b>1999</b>	<b>%</b>	<b>1998</b>	<b>%</b>
Salaries & Benefits	\$498,948	37%	\$471,127	35%	\$416,124	33%
Office Expenses	\$223,263	16%	\$169,824	13%	\$121,536	10%
Outreach	\$741,288	55%	\$573,184	43%	\$530,007	42%
<b>TOTAL BUDGET</b>	<b>\$1,463,499</b>	<b>110%</b>	<b>\$1,214,135</b>	<b>91%</b>	<b>\$1,067,667</b>	<b>85%</b>
<b>LODGING TAX</b>	<b>\$1,359,967</b>		<b>\$1,342,130</b>		<b>\$1,263,157</b>	

The above budget categories as a percentage of total lodging tax collected are appropriate when compared to IACVB standards. There is a current disproportion of funding among the three jurisdictions as a percentage of total lodging tax collected. The changes in funding in each jurisdiction in recent years have brought these percentages into line and this process should continue if tourism growth is to occur. The combined lodging tax funding from the three jurisdictions would put the Fredericksburg region in a competitive position with some of the larger cities in Virginia.

The most recent Food Service Excise Tax figures available from the Virginia Tourism Corporation are for 1997. These figures show the total food tax collected in each jurisdiction that year to be:

**1997 Food Tax**

Stafford	\$2,102,610
Spotsylvania	\$2,776,736
Fredericksburg	<u>\$2,894,097</u>
<b>Total Food Tax</b>	<b>\$7,773,443</b>

When compared to total 1997 Lodging Tax in the three jurisdictions of \$1,265,933 (VTC statistics), the Food Service Excise Tax is a much larger source of revenue. Future research should be used to determine the approximate percentage of Food Excise Tax that is generated by regional tourism in an effort to determine an appropriate funding amount for tourism promotion. If adequate funding for tourism promotion as a percentage of total market share is not provided, the Fredericksburg region will continue to see attendance at attractions stagnate or decline as has happened in recent years. It must be noted that the individual government jurisdictions have earmarked the future expenditures of these funds for various projects including education and other social or infrastructure related projects.

**Economic Impact and Tax Relief – Fredericksburg**

The 1998 economic impact of travel and tourism is as follows:

\$73,620,000	Total tourism expenditures (FY1998) in Fredericksburg by visitors (Figures provided by State of Virginia)
\$17,680,000	Total Tourism Payroll in (FY1998) (Figures provided by State of Virginia)
1,320	Tourism Payroll (jobs) for Fredericksburg (FY1998) (Figures provided by State of Virginia)
\$12,464,218	Gross Lodging Receipts (FY1998) in Fredericksburg (Figures provided by State of Virginia)
\$403,984	Total Lodging Tax revenues generated (FY1998) in Fredericksburg (Figures provided by City of Fredericksburg, Financial Office)
\$738,175	Budget for the Fredericksburg Department of Tourism (FY1998)
\$3,990,000*	Total sales tax paid (FY1998) by overnight tourists in Fredericksburg to State of Virginia. (Figures provided by State of Virginia).
\$2,430,000*	Total sales tax paid (FY1998) by overnight tourists in Fredericksburg to the municipality. (Figures provided by State of Virginia).
\$6,420,000	Total sales tax paid by overnight tourists to State and Fredericksburg. (Based on figures provided by State of Virginia). *Total of two figures above.
20,300	1998 Population of Fredericksburg (Figure provided by State of Virginia)
7,469	1990 Households in Fredericksburg (single & multi-family), (Source – 1990 Census, US Bureau of the Census)
2.23	1990 Average number of residents per household (Source – 1990 Census, US Bureau of the Census)
\$860	Tax Relief per household in Fredericksburg due to tourism

Source: All state figures provided by Virginia Tourism Corporation, 2000.

## Current Status Report

### Economic Impact and Tax Relief – Spotsylvania County

The 1998 economic impact of travel and tourism in Spotsylvania County is as follows:

\$108,750,000	Total tourism expenditures (FY1998) in Spotsylvania County by visitors (Figures provided by State of Virginia)
\$25,180,000	Total Tourism Payroll in Spotsylvania County (FY1998) (Figures provided by State of Virginia)
1,860	Tourism Payroll (jobs) for Spotsylvania County (FY1998) (Figures provided by State of Virginia)
\$12,947,647	Gross Lodging Receipts (FY1998) Spotsylvania County (Figures provided by State of Virginia)
\$618,946	Total Lodging Tax revenues generated (FY1998) in Spotsylvania County (Figures provided by the county Financial Office)
\$254,492	Budget for the Spotsylvania County Dept. of Tourism (FY1998) (Figures provided by the county Financial Office)
\$5,580,000*	Total sales tax paid (FY1998) by overnight tourists in Spotsylvania County to State of Virginia. (Figures provided by State of Virginia).
\$3,270,000*	Total sales tax paid (FY1998) by overnight tourists in Spotsylvania County to the county. (Figures provided by State of Virginia).
\$8,850,000	Total sales tax paid (FY 1998) by overnight tourists to State and Spotsylvania County. (Figures provided by State of Virginia). *Total of two figures above.
83,500	1998 Population of Spotsylvania County (State of Virginia)
18,978	Households in Spotsylvania County (single & multi-family), (Source – 1990 Census, US Bureau of the Census)
3.01	Average number of residents per household (Source – 1990 Census, US Bureau of the Census)
\$466	Tax Relief per household in Spotsylvania County due to tourism

Source: All state figures provided by Virginia Tourism Corporation, 2000.

**Economic Impact and Tax Relief – Stafford County**

The 1998 economic impact of travel and tourism in Stafford County is as follows:

\$50,950,000	Total tourism expenditures (FY1998) in Stafford County by visitors (Figures provided by State of Virginia)
\$11,240,000	Total Tourism Payroll in Stafford County (FY1998) (Figures provided by State of Virginia)
850	Tourism Payroll (jobs) for Stafford County (FY1998) (Figures provided by State of Virginia)
\$11,227,177	Gross Lodging Receipts (FY1998) in Stafford County (Figures provided by State of Virginia).
\$240,227	Total Lodging Tax revenues generated (FY1998) in Stafford County (Figures provided by the county Financial Office).
\$75,000	Budget for the Stafford County Department of Economic Development & Tourism (FY1998)
\$2,750,000*	Total sales tax paid (FY1998) by overnight tourists in Stafford County to State of Virginia. (Figures provided by State of Virginia).
\$1,410,000*	Total sales tax paid (FY1998) by overnight tourists in Stafford County to the county. (Figures provided by State of Virginia).
\$4,160,000	Total sales tax paid by overnight tourists to State and Stafford County. (Figures provided by State of Virginia). *Total of two figures above.
87,400	1998 Population of Stafford County (Figure provided by State of Virginia)
19,443	Households in Stafford County (single & multi-family) (Source – 1990 Census, US Bureau of the Census)
3.05	Average number of residents per household (Source – 1990 Census, US Bureau of the Census)
\$214	Tax Relief per household in Stafford County due to tourism

Source: All state figures provided by Virginia Tourism Corporation, 2000.